

**TOWN OF WINDHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019**

TOWN OF WINDHAM, NEW HAMPSHIRE

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Windham
Windham, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Windham as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Windham, as of December 31, 2019, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2019 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

**Town of Windham
Independent Auditor's Report**

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windham's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

June 30, 2021

*Plodzik & Sanderson
Professional Association*

Town of Windham, New Hampshire **Management's Discussion and Analysis**

The following is a narrative overview and analysis of the financial activities of the Town of Windham (the Town) for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Windham's basic financial statements. The basic financial statements of the Town of Windham are comprised of four components:

1. government-wide financial statements
2. fund financial statements
3. notes to the financial statements
4. required supplementary information

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the Town of Windham. These statements (Statement of Net Position and Statement of Activities) provide both short-term and long-term information about the Town's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the fiscal year even if cash has not been received or paid.

The Statement of Net Position presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the net total reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, other non-financial factors, such as changes in the Town's property tax base, the Town's overall debt level and the condition of the Town's infrastructure and capital assets, will need to be considered to assess the overall financial health of the Town.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All of the Town's activities are categorized as Governmental Activities. The Town's basic services are reported here, including police, fire, general government, highway, sanitation, recreation and financial administration. Property taxes, state aid, motor vehicle fees, and charges for services finance these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Windham, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds: *Governmental* funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements, and include most of the

Town of Windham, New Hampshire **Management's Discussion and Analysis**

basic services provided by the Town. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

These funds are reported using the *modified accrual basis of accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps the users of the Town's financial reports to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is described in a reconciliation presented with the fund financial statements.

The Town of Windham maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the Town's only major fund. Data from the other governmental funds are combined into a single, aggregate presentation.

The Town of Windham adopts an annual appropriated budget for the major general fund and one non-major fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Fiduciary Funds: *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town of Windham. The Town's fiduciary funds consist of private-purpose trust funds and agency funds.

Notes to the Financial Statements

The notes provide additional information that is essential to gaining a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a schedule of contributions for the Town's pensions, a schedule of the Town's proportionate share of net pensions liability, a schedule of the Town's proportionate share of net other postemployment benefits liability, a schedule of Town's contributions to other postemployment benefits and a schedule of changes in the Town's total other postemployment benefits liability and related ratios.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position totaled \$20.5 million at the end of 2019, which represents a decrease of \$1.1 million, or 4.97% compared to the \$21.6 million we recorded at the end of 2018.

Town of Windham, New Hampshire
Management's Discussion and Analysis

Statement of Net Position

The following is a summary of condensed government-wide financial data showing net position as of December 31, 2019 and December 31, 2018:

		12/31/2019	12/31/2018	%Change
Cash, receivables & other assets		\$5,131,189	\$24,553,425	-79.10%
Capital assets, net		38,018,261	37,054,923	2.60%
	Total Assets	43,149,450	61,608,348	-29.96%
Deferred outflows of resources		1,429,966	2,125,598	-32.73%
Other liabilities		577,241	20,544,040	-97.19%
Bonds, leases & long-term liabilities		21,540,735	20,119,426	7.06%
	Total Liabilities	22,117,976	40,663,466	-45.61%
Deferred inflows of resources		1,900,184	1,433,737	32.53%
Net position:				
Net investment in capital assets		34,281,237	36,060,250	-4.93%
Restricted		579,790	526,721	10.08%
Unrestricted		(14,299,771)	(14,950,228)	-4.35%
	Total Net Position	\$20,561,256	\$21,636,743	-4.97%

Total net position is presented in three categories: net investment in capital assets, restricted, and unrestricted.

The largest component of net position is the investment in capital assets (e.g. land, buildings, machinery and equipment). The figure presented (\$34.3 million) is net of any related debt incurred to acquire those assets. These assets are utilized by the Town of Windham to provide services to its residents, therefore they are not available for future spending.

A certain portion (\$580 thousand or 2.8%) of the net position is restricted in regard to how it may be used. For the Town of Windham, those restrictions include those related to the use of library funds and the balances of governmental funds that are restricted for other uses (refer to Note 18 – Net Position for further details). The remaining portion (-\$15.0 million or -69.5%) of the net position is unrestricted.

Statement of Activities

The following is a summary of condensed government-wide financial data of changes in net position for the years ending December 31, 2019 and December 31, 2018:

		12/31/2019	12/31/2018	% Change
Program revenues:				
Charges for services		\$1,219,168	\$1,191,723	2.30%
Operating grants and contributions		347,273	456,531	-23.93%
Capital grants and contributions		92,444	56,800	62.75%
	Total program	1,658,885	1,705,054	-2.71%

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Management's Discussion and Analysis

General revenues:				
Property & other taxes		8,722,340	7,922,906	10.09%
Licenses & permits		4,352,369	4,335,163	0.40%
Grants & contributions		1,159,670	808,200	43.49%
Other general revenues		1,034,372	613,232	68.68%
	Total general	15,268,751	13,679,501	11.62%
	Total revenues	16,927,636	15,384,555	10.03%
Program expenses:				
General government		3,316,874	3,313,820	0.09%
Public safety		8,031,824	7,642,053	5.10%
Highways and streets		2,737,784	2,711,031	0.99%
Health and welfare		92,519	98,546	-6.12%
Water distribution and treatment		727,874	0	N/A
Sanitation		1,122,707	998,660	12.42%
Culture, recreation, conservation		1,903,144	1,731,638	9.90%
Interest		70,397	12,806	449.72%
	Total expenses	18,003,123	16,508,554	9.05%
Increase(decrease) in net position		(1,075,487)	(1,123,999)	-4.32%
Net position, beginning		21,636,743	22,760,742	-4.94%
Net position, ending		\$20,561,256	\$21,636,743	-4.97%

The Town's net position decreased by \$1.1 million, or (4.97%) during 2019, as compared to a decrease of \$1.1 million, or (4.94%) in the previous year. The primary funding source for governmental activities are taxes (52% of all revenues) and licenses/permits (26% of all revenues). Total 2019 revenues of \$16.9 million were lower than the 2019 expenses of \$18 million, leading to the decrease in net position. Revenue in 2019 was higher than the 2018 revenue by \$1.54 million (10%). This increase was mostly driven by an increase of \$799 thousand in property and other tax revenues and an increase of \$421 thousand in other general revenues, offset by decreases of \$109 thousand in operating grants and contributions.

Total expenses during 2019 of \$18 million were higher than 2018 expenses of \$16.5 million by \$1.5 million (9.05%). The largest increases were in water distribution treatment by \$728 thousand and in Public Safety by \$390 thousand.

Financial Analysis of Town of Windham Funds

Governmental Funds. At the end of 2019 and 2018, the combined fund balances for all governmental funds were as follows (details in Exhibit C-3):

	2019	2018
General Fund	\$1,678,093	\$1,711,538
Other Governmental Funds	2,556,373	1,736,981
Total Governmental Fund Balance	<hr/> \$4,234,466	<hr/> \$3,448,519

As discussed in Note 1, the Town of Windham has a Fund Balance policy in accordance with the provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes the classifications used in the Town's governmental fund financial statements. In total, when comparing December 31, 2019 to December 31, 2018, the total fund balance on the Governmental Funds Balance Sheet as of December 31, 2019 of \$4.2 million was higher than the \$3.4 million as of December 31, 2018. The decrease in the general fund portion reflects the negative budgetary variance in

Town of Windham, New Hampshire
Management's Discussion and Analysis

the general fund discussed later in this report. The increase in total other governmental fund balances is a result of normal account activity.

Under the modified accrual basis of accounting, the fund balance reflected above for the general fund is adjusted each year for property tax revenue that is not collected within sixty days of the fiscal year-end. This amount is impacted by the timing of the issuance of the December tax bills, as the balance in uncollected taxes at the end of each year flows through this portion of the fund balance, thus causing fluctuation from year to year.

The fund balance in the other governmental funds category includes many of the Town's special revenue funds, and is detailed in Schedule 4. The fund balances in all other governmental funds of \$1.1 million increased by approximately \$136 thousand as compared to the 2018 balance of \$930 thousand. These other governmental funds are restricted for the purposes originally established at the time of appropriation. The largest single funds on December 31, 2019 were the Public Safety Impact Fees Fund with a fund balance of \$517 thousand (increasing by \$141 thousand over the previous year) and the Cable and Health Expendable Trust with a fund balance of \$360 thousand (decreasing by \$4 thousand over the previous year). The other fund balances did not see meaningful changes.

In regards to the general fund, the Board of Selectmen have formalized a policy that calls for the unassigned fund balance (budgetary basis) to be maintained at \$300,000. This level represents less than 1% of the combined town, school and county revenues committed in 2019. The remainder of the unassigned fund balance in the General Fund is used to reduce the current year tax rate. The level of unassigned fund balance available to reduce the current year tax rate is summarized in the following table:

	<u>2019</u>	<u>2018</u>
Total fund balance – budgetary basis	\$1,204,057	\$1,333,948
Portion designated as committed	(9,000)	(78,855)
Portion designated as assigned	(434,295)	(164,733)
Available for tax rate setting (Unassigned)	\$760,762	\$1,090,360

The amount of the December 31, 2018 fund balance used to reduce the 2019 tax rate was \$790 thousand, as compared to \$639 thousand used for the 2018 tax rate. After this reduction, the net unassigned fund balance as of December 31, 2019 ended up at \$761 thousand due to the variance in budgeted expenditures and revenues, which will be discussed later in this report.

General Fund Budgetary Highlights

As shown in the chart below, the Town of Windham stayed within its authorized General Fund budget. The actual revenues and other financing sources, totaling \$18.3 million, along with the use of \$790 thousand in fund balance, supported the overall actual expenditures and other financing uses of \$18.5 million. The actual revenues include the amount of unanticipated revenues received and accepted by the Board of Selectmen throughout the year and the encumbrances from year to year.

In comparing budget to actual amounts (inclusive of amounts encumbered to the subsequent year), the total revenues were higher than those budgeted, and total expenditures were lower than those budgeted, resulting in a negative combined budgetary variance of \$526 thousand.

	Final Budget	Actual	Variance
		<i>(Budgetary Basis)</i>	
Revenues	\$14,897,629	\$15,459,683	(\$562,054)

Town of Windham, New Hampshire
Management's Discussion and Analysis

Bond Proceeds	2,846,500	2,805,000	41,500
Expenditures	(18,409,489)	(18,322,483)	(87,006)
Transfers Out	(125,000)	(206,798)	81,798
Net	(\$790,360)	(\$264,598)	(\$525,762)

Actual revenues and bond proceeds in were higher than the final budgeted amounts by a combined \$521 thousand. This was primarily due to various differences in actual amounts collected by the Town, including increases in taxes (\$70 thousand), charges for services (\$106 thousand) and miscellaneous (\$354 thousand) through the end of fiscal 2019, as compared to budgeted amounts set in the fall of 2018. These budgeted amounts were set based on both previous calendar year trends as well as preliminary collections to date through September, and the Town normally takes a conservative approach to projecting revenues for the remainder of the year.

Actual expenditures and transfers out were less than the final budget by \$5 thousand, resulting in a positive budgetary variance. The variance was driven by savings of \$163k in public safety, and \$75k in culture and recreation, offset by higher than budgeted spending in general government (\$68k), sanitation (\$9k) and welfare (\$7k). This resulted in some departmental budgets showing a negative variance in expenditures for the year, even though the overall budget shows positive variance.

Revenues and other financing sources used to support the General Fund operations for the year ended December 31, 2019 totaled \$18.3 million, as compared to \$14.6 million for the previous year, for an increase of \$3.7 million, or 25.1%. This was primarily due to an increase in bond proceeds (\$2.8 million), Miscellaneous revenue (\$454 thousand) and intergovernmental revenue (\$398 thousand), offset by a \$89 thousand decrease in operating transfers.

The following comparison shows the breakdown of general fund revenues (from exhibit D), from a budgetary basis, by category and percentage change over the previous year:

	2019	2018	% Change
Revenues:			
Taxes	\$ 7,979,447	\$ 7,919,858	0.8%
Licenses and Permits	4,350,869	4,335,163	0.4%
Intergovernmental	1,547,336	1,149,231	34.6%
Charges for Services	943,597	928,108	1.7%
Miscellaneous	638,434	183,983	247.0%
Total revenues	15,459,683	14,516,343	6.5%
Bond Proceeds	2,805,000	-	N/A
Operating transfers in	0	88,530	-100.0%
Total	\$ 18,264,683	\$ 14,604,873	25.1%

Expenditures (including principal and interest payments on debt) and other uses totaled \$18.3 million for the year ended December 31, 2019, as compared to \$14.4 million for the previous year, or an increase of 27.5%. Public safety represented the highest category of spending at 41% of the total spending for General Fund activities in 2019, compared to 49% in 2018. The following comparison shows the breakdown of expenditures by category and percentage change over the previous year (inclusive of amounts encumbered to the subsequent year):

Town of Windham, New Hampshire
Management's Discussion and Analysis

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Expenditures:			
General Government	\$ 3,267,367	\$ 2,928,543	11.6%
Public Safety	7,520,688	7,031,355	7.0%
Highways and Streets	1,238,196	1,090,735	13.5%
Health and Welfare	92,519	98,546	-6.1%
Sanitation	1,057,482	928,433	13.9%
Culture, Recreation, Conservation	1,537,622	1,466,615	4.8%
Capital Outlay	3,424,982	647,221	492.2%
Debt Service	183,627	182,301	0.7%
Total expenditures	18,322,483	14,373,749	27.5%
Operating Transfers Out	206,978	80,000	158.5%
Total	\$ 18,529,281	\$ 14,453,749	28.2%

The most significant increase in expenditures over the previous year was in Capital Outlay due to the purchase of conservation land and water rights.

Capital and Debt Administration

The Town of Windham considers a capital asset to be land, buildings, equipment or infrastructure (roadways and bridges) whose cost exceeds \$5,000 and has a useful life of greater than one (1) year. Capital assets are depreciated using the straight-line method over the course of their useful lives. The Town's investment in capital assets as of December 31, 2019 amounted to \$38 million, net of accumulated depreciation, representing an increase of \$963 thousand over the previous year balance of \$37.1 million. The net increase in value is driven by the excess of the capital investments of the town assets over the depreciation expense during 2019. The following summary shows a yearly comparison of net capital assets by category (see Note 7 in the Notes to the Basic Financial Statements for more detailed information):

Capital Assets	2019	2018	Change
Infrastructure	14,458,706	15,295,119	(836,413)
Construction in Progress, Land and land improvements	16,051,048	13,997,885	2,053,163
Buildings and improvements	3,902,475	4,128,058	(225,583)
Vehicles and equipment	3,606,032	3,633,861	(27,829)
Total capital assets, net	38,018,261	37,054,923	963,338

Infrastructure relates to the Town's roadways and bridges, and additions are recorded each year based on the cost of road improvements, as well as the value of completed subdivision roads accepted by the Town each year, offset by regular depreciation of existing infrastructure. Highlights of the other major capitalized assets recorded in 2019 include:

- The Town acquired public safety equipment in the form of a police one cruiser, one command truck and an ambulance for the Fire Department and a trailer truck for the Transfer station.

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Management's Discussion and Analysis

- The Town paved portions of Londonderry, Meetinghouse, Nashua, Princeton and Searles Rd.
- The Town completed substantial upgrades to the Dispatch communication system and upgraded Fire Department portable/mobile radios.

Long-term Debt. During 2019, the Town did borrow \$2,805,000 to pay for the purchase of conservation land, water rights and a tractor trailer for the transfer station. The loans for the conservation land and water rights will be repaid over 15 years, the loan for the tractor traileld will be repaid over two years.

Two leases were entered into during 2019 – a three-year lease for an ambulance and a three-year lease for two Police Department vehicles (\$30,278 payments to be made from 2019 to 2021).

\$283 thousand remains due on all capital leases as of December 31, 2019. See Note 13 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations.

Economic Factors

- The total assessed value on which the tax rate was computed increased 0.7% over the previous year (to \$2,364,597,520 from \$2,348,438,560 in 2018) as the Town is continuing to experience new development.
- The total property taxes that were uncollected as of year-end, including liens and tax deeded property, amounted to \$1.9 million as of December 31, 2019, lower than the \$2.2 million as of December 31, 2018 (see Note 5, as reported on Exhibit A). Current year uncollected as a percentage of the total tax levy was 3.6% as of December 31, 2019, which is a decrease from prior year's 4.0%.

Several factors were taken into consideration as Town officials developed the budget for the 2019 fiscal year. Those factors include overall property tax burden from both a town and school district perspective, continuously increasing demands on municipal services and service levels, and compliance with statutory and other legal requirements. The most significant factors affecting local budgets continue to be the cost of employee healthcare and retirement benefits, as well as the need to maintain our existing infrastructure and equipment.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Town of Windham for all those interested in its finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Daniel Popovici-Muller, Finance Director, at 4 North Lowell Rd, Windham, New Hampshire 03087.

BASIC FINANCIAL STATEMENTS

EXHIBITA
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,514,430
Investments	166,306
Taxes receivables (net)	1,913,718
Account receivables (net)	417,340
Intergovernmental receivable	119,395
Capital assets:	
Land and construction in progress	15,814,058
Other capital assets, net of depreciation	22,204,203
Total assets	<u>43,149,450</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	1,343,090
Amounts related to other postemployment benefits	86,876
Total deferred outflows of resources	<u>1,429,966</u>
LIABILITIES	
Accounts payable	243,900
Accrued interest payable	58,631
Intergovernmental payable	272,330
Other	2,380
Long-term liabilities:	
Due within one year	571,688
Due in more than one year	20,969,047
Total liabilities	<u>22,117,976</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	10,260
Unavailable revenue - grants	255,297
Amounts related to pensions	1,179,645
Amounts related to other postemployment benefits	454,982
Total deferred inflows of resources	<u>1,900,184</u>
NET POSITION	
Net investment in capital assets	34,281,237
Restricted	579,790
Unrestricted	<u>(14,299,771)</u>
Total net position	<u>\$ 20,561,256</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2019

	General government	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses					
General government	\$ 3,316,874	\$ 306,283	\$ -	\$ -	\$ (3,010,591)
Public safety	8,031,824	768,506	-	-	(7,263,318)
Highways and streets	2,737,784	-	347,273	92,444	(2,298,067)
Sanitation	1,122,707	63,382	-	-	(1,059,325)
Water distribution and treatment	727,874	-	-	-	(727,874)
Health	45,265	-	-	-	(45,265)
Welfare	47,254	1,625	-	-	(45,629)
Culture and recreation	1,737,852	79,372	-	-	(1,658,480)
Conservation	165,292	-	-	-	(165,292)
Interest on long-term debt	70,397	-	-	-	(70,397)
Total governmental activities	<u>\$ 18,003,123</u>	<u>\$ 1,219,168</u>	<u>\$ 347,273</u>	<u>\$ 92,444</u>	<u>(16,344,238)</u>
General revenues:					
Taxes:					
Property					7,744,196
Other					978,144
Motor vehicle permit fees					4,067,575
Licenses and other fees					284,794
Grants and contributions not restricted to specific programs					1,159,670
Unrestricted investment earnings					120,599
Miscellaneous					913,773
Total general revenues					<u>15,268,751</u>
Change in net position					(1,075,487)
Net position, beginning					21,636,743
Net position, ending					<u>\$ 20,561,256</u>

EXHIBIT C-1
TOWN OF WINDHAM, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2019

	General	Land Purchase Conservation	Castle Hill Bridge Project	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 715,201	\$ 512,312	\$ -	\$ 336,398	\$ 950,519	\$ 2,514,430
Investments	-	-	-	166,306	-	166,306
Receivables, net of allowance for uncollectible:						
Taxes receivable	1,599,718	389,000	-	-	-	1,988,718
Accounts receivable (net)	302,174	-	-	-	115,166	417,340
Intergovernmental receivable	-	-	119,395	-	-	119,395
Interfund receivable	119,395	86,672	-	-	-	206,067
Total assets	<u>\$ 2,736,488</u>	<u>\$ 987,984</u>	<u>\$ 119,395</u>	<u>\$ 502,704</u>	<u>\$ 1,065,685</u>	<u>\$ 5,412,256</u>
LIABILITIES						
Accounts payable	\$ 243,900	\$ -	\$ -	\$ -	\$ -	\$ 243,900
Intergovernmental payable	272,330	-	-	-	-	272,330
Interfund payable	86,672	-	119,395	-	-	206,067
Other	2,380	-	-	-	-	2,380
Total liabilities	<u>605,282</u>	<u>-</u>	<u>119,395</u>	<u>-</u>	<u>-</u>	<u>724,677</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	197,816	-	-	-	-	197,816
Unavailable revenue - highway block grant	<u>255,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,297</u>
Total deferred inflows of resources	<u>453,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>453,113</u>
FUND BALANCES						
Nonspendable	-	-	-	412,292	-	412,292
Restricted	77,086	-	-	90,412	-	167,498
Committed	505,980	987,984	-	-	731,476	2,225,440
Assigned	446,821	-	-	-	334,209	781,030
Unassigned	648,206	-	-	-	-	648,206
Total fund balances	<u>1,678,093</u>	<u>987,984</u>	<u>-</u>	<u>502,704</u>	<u>1,065,685</u>	<u>4,234,466</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,736,488</u>	<u>\$ 987,984</u>	<u>\$ 119,395</u>	<u>\$ 502,704</u>	<u>\$ 1,065,685</u>	<u>\$ 5,412,256</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1) \$ 4,234,466

Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.

Cost	\$ 83,316,559
Less accumulated depreciation	<u>(45,298,298)</u>
	38,018,261

Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:

Deferred outflows of resources related to pensions	\$ 1,343,090
Deferred inflows of resources related to pensions	(1,179,645)
Deferred outflows of resources related to OPEB	86,876
Deferred inflows of resources related to OPEB	<u>(454,982)</u>
	(204,661)

Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.

Receivables	\$ (206,067)
Payables	<u>206,067</u>

Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.

Deferred inflows of resources - property taxes	\$ 187,556
Allowance for uncollectible property taxes	<u>(75,000)</u>
	112,556

Interest on long-term debt is not accrued in governmental funds.

Accrued interest payable	(58,631)
--------------------------	----------

Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.

Bonds	\$ 2,481,500
Notes	648,742
Unamortized bond premium	323,500
Capital leases	283,282
Compensated absences	1,383,925
Net pension liability	14,157,985
Other postemployment benefits	<u>2,261,801</u>
	(21,540,735)
Net position of governmental activities (Exhibit A)	<u><u>\$ 20,561,256</u></u>

EXHIBIT C-3
TOWN OF WINDHAM, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2019

	Land Purchase General	Castle Hill Bridge Conservation	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 8,017,222	\$ 742,893	\$ -	\$ -	\$ 8,760,115
Licenses and permits	4,350,869	- -	- -	1,500	4,352,369
Intergovernmental	1,547,336	- -	92,444	- -	1,639,780
Charges for services	943,597	- -	- -	275,571	1,219,168
Miscellaneous	661,662	2,525	- -	273,373	993,979
Total revenues	<u>15,520,686</u>	<u>745,418</u>	<u>92,444</u>	<u>56,419</u>	<u>550,444</u>
EXPENDITURES					
Current:					
General government	3,324,006	- -	800	60,631	3,385,437
Public safety	7,919,363	- -	- -	250,281	8,169,644
Highways and streets	1,156,621	- -	92,444	- -	1,249,065
Sanitation	1,057,482	- -	- -	- -	1,057,482
Health	45,265	- -	- -	- -	45,265
Welfare	47,254	- -	- -	- -	47,254
Culture and recreation	1,546,354	- -	- -	70,595	1,616,949
Conservation	54,166	9,520	- -	- -	63,686
Debt service:					
Principal	161,922	- -	- -	32,862	194,784
Interest	21,705	- -	- -	- -	21,705
Capital outlay	3,392,351	108,200	- -	- -	3,500,551
Total expenditures	<u>18,726,489</u>	<u>117,720</u>	<u>92,444</u>	<u>800</u>	<u>414,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,205,803)</u>	<u>627,698</u>	<u>- -</u>	<u>55,619</u>	<u>136,075</u>
OTHER FINANCING SOURCES					
Bond proceeds	2,481,500	- -	- -	- -	2,481,500
Premium on bonds issued	323,500	- -	- -	- -	323,500
Capital leases	367,358	- -	- -	- -	367,358
Total other financing sources	<u>3,172,358</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>3,172,358</u>
Net change in fund balances	(33,445)	627,698	- -	55,619	136,075
Fund balances, beginning	<u>1,711,538</u>	<u>360,286</u>	<u>- -</u>	<u>447,085</u>	<u>929,610</u>
Fund balances, ending	<u>\$ 1,678,093</u>	<u>\$ 987,984</u>	<u>\$ - -</u>	<u>\$ 502,704</u>	<u>\$ 1,065,685</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2019

Net change in fund balances of governmental funds (Exhibit C-3)	\$ 785,947
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay expenditures exceeded depreciation expense in the current year, as follows:	
Capitalized capital outlay	\$ 3,125,197
Depreciation expense	<u>(2,161,859)</u>
	963,338
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.	
Change in deferred tax revenue	(37,775)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Proceeds of debt	\$ (2,481,500)
Inception of capital lease	(367,358)
Bond premium on new issuance	(323,500)
Repayment of note principal	194,784
Repayment of capital leases	<u>235,223</u>
	(2,742,351)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	
Increase in accrued interest expense	\$ (48,692)
Decrease in compensated absences payable	139,760
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(250,526)
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>114,812</u>
	(44,646)
Changes in net position of governmental activities (Exhibit B)	<u><u>\$ (1,075,487)</u></u>

EXHIBIT D
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 7,909,376	\$ 7,979,447	\$ 70,071
Licenses and permits	4,402,500	4,350,869	(51,631)
Intergovernmental receivable	1,463,514	1,547,336	83,822
Charges for services	837,991	943,597	105,606
Miscellaneous	284,248	638,434	354,186
Total revenues	<u>14,897,629</u>	<u>15,459,683</u>	<u>562,054</u>
EXPENDITURES			
Current:			
General government	3,199,555	3,267,367	(67,812)
Public safety	7,684,045	7,520,688	163,357
Highways and streets	1,257,395	1,238,196	19,199
Sanitation	1,048,790	1,057,482	(8,692)
Health	51,110	45,265	5,845
Welfare	40,540	47,254	(6,714)
Culture and recreation	1,608,735	1,533,456	75,279
Conservation	6,910	4,166	2,744
Debt service:			
Principal	161,513	161,922	(409)
Interest	20,896	21,705	(809)
Capital outlay	3,330,000	3,424,982	(94,982)
Total expenditures	<u>18,409,489</u>	<u>18,322,483</u>	<u>87,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,511,860)</u>	<u>(2,862,800)</u>	<u>649,060</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(125,000)	(206,798)	(81,798)
Bond proceeds and premium on bonds issued	2,846,500	2,805,000	(41,500)
Total other financing sources (uses)	<u>2,721,500</u>	<u>2,598,202</u>	<u>(123,298)</u>
Net change in fund balances	<u>\$ (790,360)</u>	<u>(264,598)</u>	<u>\$ 525,762</u>
Increase in committed fund balance		(65,000)	
Unassigned fund balance, beginning		1,090,360	
Unassigned fund balance, ending		<u>\$ 760,762</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2019

	Private Purpose Trust Funds	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 30,661	\$ 22,487,306
Taxes receivable	-	517,940
Total assets	<u>30,661</u>	<u>23,005,246</u>
LIABILITIES		
Intergovernmental payables:		
School	<u>-</u>	<u>20,942,061</u>
NET POSITION		
Restricted	<u>\$ 30,661</u>	<u>\$ 2,063,185</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2019

	Private Purpose Trust Funds	All Custodial Funds
ADDITIONS		
Contributions	\$ 2,500	\$ 495,181
Investment earnings	140	4,445
Tax collections for other governments	-	45,948,894
Total additions	<u>2,640</u>	<u>46,448,520</u>
DEDUCTIONS		
Payments of taxes to other governments	-	45,948,894
Payments to other governments	-	414,331
Payments for escrow purposes	-	62,788
Total deductions	<u>-</u>	<u>46,426,013</u>
Change in net position	2,640	22,507
Net position, beginning, as restated (see Note 20)	<u>28,021</u>	<u>2,040,678</u>
Net position, ending	<u><u>\$ 30,661</u></u>	<u><u>\$ 2,063,185</u></u>

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Windham, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2019 the Town implemented GASB Statement No. 84, *Fiduciary Activities*, which changed the way fiduciary activities are recorded. See Note 2-C for further information on this pronouncement.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Windham is a municipal corporation governed by an elected 5-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

General Fund – is the Town's primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the library, law enforcement, exaction fees, Searles donation, and expendable trust funds are consolidated in the general fund.

Land Purchase Conservation – accounts for the activities related to the conservation commission of the Town of Windham.

Castle Hill Bridge Capital Project Fund – the castle hill bridge capital project fund accounts for the activity pertaining to the construction/renovation of the castle hill bridge.

Permanent Funds – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

Additionally, the Town reports the following fund type:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports seven nonmajor governmental funds.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting.

The Town reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Custodial Fund – are custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

I-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

I-D Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 – Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

1-E Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-F Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (i.e., easements) which are reported in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

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The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes:	<u>Years</u>
Land improvements	12 - 15
Buildings and building improvements	15 - 40
Vehicles and equipment	5 - 20
Infrastructure	20 - 50

1-G Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-H Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 20, 2019 and November 18, 2019, and due on July 1, 2019 and December 23, 2019. Interest accrues at a rate of 12% (from January 1, 2019 through March 31, 2019) and 8% (after April 1, 2019) on bills outstanding after the due date and 18% (from January 1, 2019 through March 31, 2019) and 14% (after April 1, 2019) on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2018 on April 25, 2019.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Windham School District, Breezy Gale Village District, Cobbetts Pond Village District, Moeckel Pond Village District, and Rockingham County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2019 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,364,597,520
For all other taxes	\$ 2,394,395,020

The tax rates and amounts assessed for the year ended December 31, 2019 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 3.33	\$ 7,997,103
School portion:		
State of New Hampshire	2.31	5,454,666
Local	15.80	37,825,825
County portion	1.11	2,647,180
Precinct portions:		
Breezy Gale Village	1.37	19,087
Cobbetts Pond Village	-	-
Moeckel Pond Village	0.30	2,136
Total	\$ 24.22	\$ 53,945,997

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1-I Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2019.

1-J Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-K Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium.

In the fund financial statements, governmental fund types recognize bond premiums during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources.

1-L Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation and sick leave and personal time based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the Town's personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-M Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-N Postemployment Benefits Other Than Pensions

The Town maintains two separate other postemployment benefit plans (OPEB), as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire

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Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-O Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory, or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the

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collectability of accounts and ambulance receivables, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund, as well as the nonmajor searles fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2019, \$790,360 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for each major governmental fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$18,264,683
Adjustment:	
Basis difference:	
Inception of capital leases	367,358
GASB Statement No. 54:	
To record revenue of the blended funds	23,228
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	37,775
Per Exhibit C-3 (GAAP basis)	<u><u>\$18,693,044</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$18,529,281
Adjustment:	
Basis differences:	
Inception of capital leases	367,358
Encumbrances, beginning	243,588
Encumbrances, ending	(378,295)
GASB Statement No. 54:	
To record expenditures of the blended funds	171,355
To eliminate transfers between general and blended funds	(206,798)
Per Exhibit C-3 (GAAP basis)	<u><u>\$18,726,489</u></u>

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2-C Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the fiduciary funds was restated to retroactively report the change in accounting principle, see Note 20.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2019, the reported amount of the Town's deposits was \$25,032,397 and the bank balance was \$24,233,197. Of the bank balance \$24,228,377 was covered by federal depository insurance or by collateral held by the pledging bank's trust department in the Town's name, and \$4,820 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 2,514,430
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	22,517,967
Total cash and cash equivalents	<u><u>\$ 25,032,397</u></u>

NOTE 4 – INVESTMENTS

Note 1-D describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town maintains a portfolio consisting of original stock certificates that are reported at fair value, based on quoted market prices (Level 1). As of December 31, 2019, the Town had \$166,306 invested in original stock certificates.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Treasurer and Selectboard investment policy states that 100% of the portfolio must have maturities of one year or less and 50% of that must have minimum maturities of 90 days or less. The Trustees of Trust funds investment policy does not directly address this risk.

Credit Risk – The Treasurer and Selectboard investment policy states that investments in bonds must have an investment grade rating issued by Moody's and S&P at minimums of Aa2 and AA, respectively. The Trustees of Trust funds investment policy does not directly address this risk.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Treasurer and Selectboard investment policy require that federally insured banks shall have such funds, at the time of deposit of investment, secured by collateral having a market value at least equal to 102% of the amount deposited or invested. The Trustees of Trust funds investment policy does not directly address this risk.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in Allied Signal, which are 96% of the Town's total investments.

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NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2019. The amount has been reduced by an allowance for an estimated uncollectible amount of \$75,000. Taxes receivable by year are as follows:

	As reported on:		
	Exhibit A	Exhibit C-1	Exhibit E-1
Property:			
Levy of 2019	\$ 1,027,881	\$ 1,027,881	\$ 517,940
Unredeemed (under tax lien):			
Levy of 2018	320,996	320,996	-
Levy of 2017	206,298	206,298	-
Levies of 2016 and prior	42,967	42,967	-
Yield	1,576	1,576	-
Land use change	389,000	389,000	-
Less: allowance for estimated uncollectible taxes	(75,000) *	-	-
Net taxes receivable	<u><u>\$ 1,913,718</u></u>	<u><u>\$ 1,988,718</u></u>	<u><u>\$ 517,940</u></u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2019, consisted of accounts (billings for police details, ambulance, franchise fees, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

	Castle Hill			
	General Fund	Bridge Capital Project	Nonmajor Funds	Total
Receivables:				
Accounts	\$ 378,639	\$ -	\$ 115,166	\$ 493,805
Intergovernmental	-	119,395	-	119,395
Gross receivables	<u>378,639</u>	<u>119,395</u>	<u>115,166</u>	<u>613,200</u>
Less: allowance for uncollectibles	(76,465)	-	-	(76,465)
Net total receivables	<u><u>\$ 302,174</u></u>	<u><u>\$ 119,395</u></u>	<u><u>\$ 115,166</u></u>	<u><u>\$ 536,735</u></u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 13,663,933	\$ 2,000,881	\$ -	\$ 15,664,814
Construction in progress	56,800	92,444	-	149,244
Total capital assets not being depreciated	<u>13,720,733</u>	<u>2,093,325</u>	<u>-</u>	<u>15,814,058</u>

(Continued)

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Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
Being depreciated:				
Land improvements	1,789,923	-	-	1,789,923
Buildings and building improvements	9,096,028	-	-	9,096,028
Vehicles and equipment	8,130,887	502,850	(127,419)	8,506,318
Infrastructure	47,581,210	529,022	-	48,110,232
Total capital assets being depreciated	<u>66,598,048</u>	<u>1,031,872</u>	<u>(127,419)</u>	<u>67,502,501</u>
Total all capital assets	<u>80,318,781</u>	<u>3,125,197</u>	<u>(127,419)</u>	<u>83,316,559</u>
Less accumulated depreciation:				
Land improvements	(1,512,771)	(40,162)	-	(1,552,933)
Buildings and building improvements	(4,967,970)	(225,583)	-	(5,193,553)
Vehicles and equipment	(4,497,026)	(530,679)	127,419	(4,900,286)
Infrastructure	(32,286,091)	(1,365,435)	-	(33,651,526)
Total accumulated depreciation	<u>(43,263,858)</u>	<u>(2,161,859)</u>	<u>127,419</u>	<u>(45,298,298)</u>
Net book value, capital assets being depreciated	<u>23,334,190</u>	<u>(1,129,987)</u>	<u>-</u>	<u>22,204,203</u>
Net book value, all governmental activities capital assets	<u>\$37,054,923</u>	<u>\$ 963,338</u>	<u>\$ -</u>	<u>\$38,018,261</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 39,761
Public safety	156,887
Highways and streets	1,767,723
Sanitation	66,008
Culture and recreation	131,480
Total depreciation expense	<u>\$ 2,161,859</u>

NOTE 8 – INTERFUND BALANCES

The composition of interfund balances as of December 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General	Castle Hill Bridge Capital Project	\$ 119,395
Land Purchase and Conservation	General	86,872
		<u>\$ 206,267</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2019 consist of the following:

	Governmental Fund General	Fiduciary Funds
Miscellaneous fees due to the State of New Hampshire	\$ 3,614	\$ -
Balance due to the New Hampshire Retirement System	268,716	-
Taxes due to the Windham School District	-	20,942,061
Total intergovernmental payables due	<u>\$ 272,330</u>	<u>\$ 20,942,061</u>

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NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Government- wide
Amounts related to pensions, see Note 14	\$ 1,343,090
Amounts related to OPEB, see Note 15	86,876
Total deferred outflows of resources	<u><u>\$ 1,429,966</u></u>

Deferred inflows of resources are as follows:

	Government- wide	General Fund
Property taxes not collected within 60 days of the fiscal year-end	\$ -	\$ 187,556
Property taxes collected in advance of commitment	10,260	10,260
Additional Highway block grant money received and not yet expended	255,297	255,297
Amounts related to pensions, see Note 14	1,179,645	-
Amounts related to OPEB, see Note 15	454,982	-
Total deferred inflows of resources	<u><u>\$ 1,900,184</u></u>	<u><u>\$ 453,113</u></u>

NOTE 11 – CAPITAL LEASES

The Town has entered into capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2019
Capital lease obligations:		
Transfer Station Trailer	2.85%	\$ 21,131
2018 Ford Explorers (2)	4.29%	24,457
Interceptor and Utility Truck	3.29%	57,694
Ambulance	2.63%	180,000
Total capital lease obligations		<u><u>\$ 283,282</u></u>

Leased equipment under the capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
Transfer Station Trailer	\$ 64,700
2018 Ford Explorers (2)	72,720
Interceptor and Utility Truck	70,928
Ambulance	257,112
Total equipment	<u><u>465,460</u></u>
Less: accumulated depreciation	30,311
Total capital lease equipment	<u><u>\$ 435,149</u></u>

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The annual requirements to amortize the capital leases payable as of December 31, 2019, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2020	\$ 170,844
2021	123,606
Total requirements	294,450
Less: interest	11,168
Present value of remaining payments	<u><u>\$ 283,282</u></u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 12 – SHORT-TERM DEBT

Changes in the Town's short-term capital and operational borrowings during the year ended December 31, 2019 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance			Balance
	January 1, 2019	Additions	Deletions	December 31, 2019		
Bond anticipation note	\$ 715,000	2.75%	\$ -	\$ 715,000	\$ (715,000)	\$ -
Tax anticipation note	2,000,000	3.13%	-	-	-	-
Total short-term borrowings	<u><u>\$ 2,715,000</u></u>		<u><u>\$ -</u></u>	<u><u>\$ 715,000</u></u>	<u><u>\$ (715,000)</u></u>	<u><u>\$ -</u></u>

The purpose of the short-time borrowings was to provide for interim financing of general fund operations and resources for various capital improvement projects.

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Due Within One Year
	January 1, 2019	Additions	Reductions	December 31, 2019	Due Within One Year
Bonds payable:					
General obligation bonds	\$ -	\$ 2,481,500	\$ -	\$ 2,481,500	\$ 211,500
Premium	-	323,500	-	323,500	21,567
Total bonds payable	<u><u>\$ -</u></u>	<u><u>\$ 2,805,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,805,000</u></u>	<u><u>233,067</u></u>
Notes payable	843,526	-	(194,784)	648,742	83,668
Capital leases	151,147	367,358	(235,223)	283,282	163,028
Compensated absences	1,523,685	-	(139,760)	1,383,925	91,925
Net pension liability	14,652,315	-	(494,330)	14,157,985	-
Net other postemployment benefits	2,948,753	-	(686,952)	2,261,801	-
Total long-term liabilities	<u><u>\$ 20,119,426</u></u>	<u><u>\$ 3,172,358</u></u>	<u><u>\$ (1,751,049)</u></u>	<u><u>\$ 21,540,735</u></u>	<u><u>\$ 571,688</u></u>

Long-term bonds/notes are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2019
Bonds/notes payable:					
Aerial Truck	\$ 850,000	2017	2027	2.45	\$ 648,742
Land / Water-line / Truck	\$ 2,481,500	2019	2034	2.13	\$ 2,481,500
					3,130,242
Bond premium					323,500
Total					<u><u>\$ 3,453,742</u></u>

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The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2019, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2020	\$ 295,168	\$ 133,922	\$ 429,090
2021	287,585	113,496	401,081
2022	249,632	100,994	350,626
2023	251,728	90,483	342,211
2024	253,877	79,919	333,796
2025-2029	1,017,252	246,304	1,263,556
2030-2034	775,000	66,068	841,068
Totals	<u>\$ 3,130,242</u>	<u>\$ 831,186</u>	<u>\$ 3,961,428</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2019 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 10, 2015	Fire Engine/Tanker Truck	\$ 9,714
March 12, 2019	MSDC from Southern NH Regional Water Line	35,000
March 12, 2019	Tractor Truck for Transfer Station	6,500
		<u>\$ 51,214</u>

NOTE 14 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time State employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years.

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However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2019, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2019 was \$1,328,449, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2019 the Town reported a liability of \$14,157,985 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the Town's proportion was .29424359% which was an decrease of .01004922% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$1,578,934. At December 31, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 759,558
Changes in assumptions	507,983	-
Net difference between projected and actual investment earnings on pension plan investments	24,567	115,650
Differences between expected and actual experience	78,281	304,437
Contributions subsequent to the measurement date	732,259	-
Total	\$ 1,343,090	\$ 1,179,645

The \$732,259 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2020	\$ 213,376
2021	(509,094)
2022	(227,838)
2023	(45,258)
Thereafter	-
Totals	\$ (568,814)

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Actuarial Assumptions – The collective total pension liability was based on the following assumptions:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Wage inflation:	3.25% (3.00% for teachers)
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term
		expected real rate of return
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

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Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 18,958,126	\$ 14,157,985	\$ 10,190,707

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 15 – DEFINED CONTRIBUTION PENSION PLAN

The Town has a defined contribution supplemental retirement plan that covers full time employees, except for police and fire department employees. The plan was adopted on October 1, 1987. Employees are eligible for normal retirement after age 68. If a participant terminates their employment prior to the age of 65, they will be entitled to 100% of their contributions made and a percentage of the contributions made by the town based on completed years of service.

In order to participate in the plan, an employee must contribute an amount equal to 3% of their earnings. A participant may then make voluntary contributions up to an additional 10% of their earnings. The Town contributes 5% of the participant's total earnings to the plan. Covered wages paid under this plan during 2019 were \$2,800,927 or 37.1% of total wages of \$7,550,324. Employee contributions including additional voluntary contributions to the plan were \$151,664, or 5.4% of covered wages.

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

16-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

Benefits Provide - Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age, and retirement date. Group II benefits are based on hire date, age, and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2019 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

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Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2019, the Town contributed 4.10% for police and fire, and 0.30% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2019 was \$162,182, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2019, the Town reported a liability of \$1,571,955 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the Town’s proportion was .35855723% which was an decrease of .01464623% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$154,237. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 7,128
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,766
Differences between expected and actual experience	-	2,735
Contributions subsequent to the measurement date	86,876	-
Total	<u>\$ 86,876</u>	<u>\$ 11,629</u>

The \$86,876 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	
December 31,	
2020	\$ (11,035)
2021	(1,172)
2022	122
2023	456
2024	-
Thereafter	-
Totals	<u>\$ (11,629)</u>

Actuarial Assumptions – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.5 %
Wage inflation:	3.25 % (3.00%) for teachers
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation for determining solvency contributions

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Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2019	
Large Cap Equities	22.50%	4.25%	
Small/Mid Cap Equities	7.50%	4.50%	
Total domestic equity	30.00%		
Int'l Equities (unhedged)	13.00%	4.50%	
Emerging Int'l Equities	7.00%	6.00%	
Total international equity	20.00%		
Core Bonds	9.00%	1.12%	
Global Multi-Sector Fixed Income	10.00%	2.46%	
Absolute Return Fixed Income	6.00%	1.50%	
Total fixed income	25.00%		
Private equity	10.00%	7.90%	
Private debt	5.00%	4.86%	
Total alternative investments	15.00%		
Real estate	10.00%	3.00%	
Total	100.00%		

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	Current Single		
	1% Decrease	Rate Assumption	1% Increase
June 30, 2019	\$ 1,705,024	\$ 1,471,955	\$ 1,456,326

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

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OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

16-B Town of Windham Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees.

Employees Covered by Benefit Terms – At January 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	17
Active employees	82
Total participants covered by OPEB plan	<u>99</u>

Total OPEB Liability – The Town’s total OPEB liability of \$689,846 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$689,846 in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.92%
Healthcare Cost Trend Rates:	
Current Year Trend	7.00%
Second Year Trend	6.75%
Decrement	0.25%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2031
Salary Increases:	3.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of July 1, 2016.

Mortality rates were based on the RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

Changes in the Total OPEB Liability

	December 31,	
	2018	2019
OPEB liability beginning of year	\$ 1,288,962	\$ 1,240,057
Changes for the year:		
Service cost	27,681	47,470
Interest	42,054	34,475
Assumption changes and difference between actual and expected experience	-	(513,371)
Benefit payments	(118,640)	(118,785)
OPEB liability end of year	<u>\$ 1,240,057</u>	<u>\$ 689,846</u>

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Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The January 1, 2019 actuarial valuation was prepared using a discount rate of 2.92%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$663,081 or by (3.88%). If the discount rate were 1% lower than what was used the OPEB liability would increase to \$716,690 or by %.

	Discount Rate		
	1% Decrease	Baseline 2.92%	1% Increase
Total OPEB Liability	\$ 716,690	\$ 689,846	\$ 663,081

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The January 1, 2019 actuarial valuation was prepared using an initial trend rate of 7.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$743,024 or by 7.71%. If the trend rate were 1% lower than what was used the OPEB liability would increase to \$641,976 or by (6.94%).

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.00%	1% Increase
Total OPEB Liability	\$ 641,976	\$ 689,846	\$ 743,024

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2019, the Town recognized OPEB benefit of \$106,858. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Changes in assumptions	Deferred
	Inflows of Resources
	\$ 443,353

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	
	December 31,
2019	\$ (70,018)
2020	(70,018)
2021	(70,018)
2022	(70,018)
2023	(70,018)
Thereafter	(93,263)
Totals	<u><u>\$ (443,353)</u></u>

NOTE 17 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2019 and are as follows:

General fund:	
General government	\$ 65,765
Highways and streets	161,240
Culture and recreation	37,140
Capital outlay	114,150
Total encumbrances	<u><u>\$ 378,295</u></u>

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NOTE 18 – NET POSITION

Governmental activities and fiduciary funds net position reported on the respective Statements of Net Position at December 31, 2019 include the following:

	Governmental Activities	Fiduciary Funds
Net investment in capital assets:		
Net book value, all governmental activities capital assets	\$ 38,018,261	\$ -
Less:		
General obligation bond payable	(2,481,500)	-
Unamortized bond premium	(323,500)	-
Note payable	(648,742)	-
Capital leases payable	(283,282)	-
Total net investment in capital assets	<u>34,281,237</u>	<u>-</u>
Restricted net position:		
Nonexpendable permanent funds	412,292	-
Expendable permanent funds	90,412	-
Library	76,119	-
Searles donation	967	-
Individuals, organizations and other governments	-	2,063,185
Total restricted net position	<u>579,790</u>	<u>2,063,185</u>
Unrestricted	<u>(14,299,771)</u>	<u>-</u>
Total net position	<u><u>\$ 20,561,256</u></u>	<u><u>\$ 2,063,185</u></u>

NOTE 19 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2019 include the following:

	General Fund	Land Purchase Conservation Fund	Permanent Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Principal balance	\$ -	\$ -	\$ 412,292	\$ -	\$ 412,292
Restricted:					
Library	76,119	-	-	-	76,119
Searles donation	967	-	-	-	967
Income balance	-	-	90,412	-	90,412
Total restricted fund balance	<u>77,086</u>	<u>-</u>	<u>90,412</u>	<u>-</u>	<u>167,498</u>
Committed:					
Expendable trust	496,980	-	-	-	496,980
Non-lapping appropriations	9,000	-	-	-	9,000
Land purchase conservation	987,984	-	-	-	987,984
Public safety details	-	-	-	115,222	115,222
Recreation revolving	-	-	-	13,694	13,694
Cable and health expendable trust	-	-	-	25,978	25,978
Public safety impact fees	-	-	-	517,108	517,108
Searles fund	-	-	-	6,376	6,376
Fire cistern	-	-	-	2,009	2,009
Forest maintenance	-	-	-	51,089	51,089
Total committed fund balance	<u>505,980</u>	<u>987,984</u>	<u>-</u>	<u>731,476</u>	<u>2,225,440</u>

(Continued)

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Governmental fund balances continued:

	General Fund	Land Purchase Conservation Fund	Permanent Fund	Nonmajor Funds	Total Governmental Funds
Assigned:					
Encumbrances	369,295	-	-	-	369,295
Abatement contingency	65,000	-	-	-	65,000
Law enforcement	985	-	-	-	985
Exaction fees	11,541	-	-	-	11,541
Cable and health expendable trust	-	-	-	334,209	334,209
Total assigned fund balance	<u>446,821</u>	<u>-</u>	<u>-</u>	<u>334,209</u>	<u>781,030</u>
Unassigned	<u>648,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>648,206</u>
Total governmental fund balances	<u><u>\$ 1,678,093</u></u>	<u><u>\$ 987,984</u></u>	<u><u>\$ 502,704</u></u>	<u><u>\$ 1,065,685</u></u>	<u><u>\$ 4,234,466</u></u>

NOTE 20 – PRIOR PERIOD ADJUSTMENT

Net position at January 1, 2019 was restated to give retroactive effect to the following prior period adjustment:

	Fiduciary Funds
To restate for the cumulative changes related to implementation of GASB Statement No. 84.	\$ 2,040,678
Net position, as previously reported	-
Net position, as restated	<u><u>\$ 2,040,678</u></u>

NOTE 21 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2019, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2019 to December 31, 2019 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2019 the Town paid \$112,250 and \$139,690 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 22 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the government's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 23 – PERFORMANCE DEPOSITS

The Town holds letters of credit and surety bonds from developers until projects have been completed to Town standards. Due to the nature of these letters of credits and surety bonds they are not included as part of the financial statements. As of December 31, 2019, the Town held performance deposits totaling \$1,966,706.

NOTE 24 – HEALTH INSURANCE

Effective January 1, 1994, the Town provided employee medical/surgical benefits through a reduced premium plan, which is a modified self-insurance plan. The Town established a health insurance expendable trust fund, under RSA 31:19a to account for and finance its periodic insurance premiums and uninsured risk (the difference between prior coverage and current coverage levels). Effective January 1, 2003, the Town began augmenting the health insurance expendable trust with the general fund operating budget to fund health insurance costs. Employees are required to pay between 20-25% of the monthly premium.

Expenditures during 2019 were \$331,168 for health insurance premiums and \$1,167 in administrative expenses. Claims are reviewed by an outside claim administrator and then paid by the Town. At December 31, 2019, the unexpended balance of the health insurance expendable trust is \$5,976. No outstanding claims were reported at December 31, 2019.

NOTE 25 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through June 30, 2021, the date the December 31, 2019 financial statements were available to be issued, and the following events occurred that require recognition or disclosure:

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. In response to the pandemic, the State of New Hampshire's Governor issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the Town though such potential impact is unknown at this time.

At the 2020 Annual Town Meeting, held on March 10, 2020, the residents of the Town approved two bond issuances totaling \$380,000 for the Searles Building roof repairs and stone exterior tower work, as well as for repairs to the Rockingham Recreational Trail.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Town's proportion of the net pension liability	0.30684318%	0.31828660%	0.31721457%	0.32000614%	0.31738896%	0.30429281%	0.29424359%
Town's proportionate share of the net pension liability	\$13,205,482	\$11,947,160	\$12,566,541	\$17,016,632	\$15,609,215	\$14,652,315	\$14,157,985
Town's covered payroll	\$ 5,710,821	\$ 5,972,552	\$ 6,054,805	\$ 6,045,748	\$ 6,201,605	\$ 6,151,550	\$ 6,580,040
Town's proportionate share of the net pension liability as a percentage of its covered payroll	231.24%	200.03%	207.55%	281.46%	251.70%	238.19%	215.17%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%

EXHIBIT G
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 762,954	\$ 1,032,595	\$ 1,064,217	\$ 1,145,875	\$ 1,162,737	\$ 1,286,117	\$ 1,280,494
Contributions in relation to the contractually required contributions	<u>762,954</u>	<u>1,032,595</u>	<u>1,064,217</u>	<u>1,145,875</u>	<u>1,162,737</u>	<u>1,286,117</u>	<u>1,280,494</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Town's covered payroll	<u>\$ 5,710,821</u>	<u>\$ 5,972,552</u>	<u>\$ 6,054,805</u>	<u>\$ 6,045,748</u>	<u>\$ 6,201,615</u>	<u>\$ 6,151,550</u>	<u>\$ 6,580,040</u>
Contributions as a percentage of covered payroll	13.36%	17.29%	17.58%	18.95%	18.75%	20.91%	19.46%

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT H
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31.			
	2016	2017	2018	2019
Town's proportion of the net OPEB liability	0.25761318%	0.25901938%	0.37320346%	0.35855723%
Town's proportionate share of the net OPEB liability (asset)	\$ 1,247,119	\$ 1,184,325	\$ 1,708,696	\$ 1,571,955
Town's covered payroll	\$ 6,045,748	\$ 6,201,615	\$ 6,151,550	\$ 6,580,040
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	20.63%	19.10%	27.78%	23.89%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT I
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,			
	2016	2017	2018	2019
Contractually required contribution	\$ 149,689	\$ 153,521	\$ 165,079	\$ 163,631
Contributions in relation to the contractually required contribution	<u>149,689</u>	<u>153,521</u>	<u>165,079</u>	<u>163,631</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Town's covered payroll	<u><u>\$ 6,045,748</u></u>	<u><u>\$ 6,201,615</u></u>	<u><u>\$ 6,151,550</u></u>	<u><u>\$ 6,580,040</u></u>
Contributions as a percentage of covered payroll	2.48%	2.48%	2.68%	2.49%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2019

	December 31,	
	2018	2019
OPEB liability, beginning of year	\$1,288,962	\$1,240,057
Changes for the year:		
Service cost	27,681	47,470
Interest	42,054	34,475
Assumption changes and difference between actual and expected experience	-	(513,371)
Benefit payments	<u>(118,640)</u>	<u>(118,785)</u>
OPEB liability, end of year	<u>\$1,240,057</u>	<u>\$ 689,846</u>
Covered payroll	\$5,118,564	\$6,299,911
Total OPEB liability as a percentage of covered payroll	24.23%	10.95%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Schedule of Changes in Town's Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2019. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 7,639,626	\$ 7,744,196	\$ 104,570
Yield	5,100	5,442	342
Boat	15,800	16,082	282
Payment in lieu of taxes	10,850	-	(10,850)
Interest and penalties on taxes	238,000	213,727	(24,273)
Total from taxes	<u>7,909,376</u>	<u>7,979,447</u>	<u>70,071</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	4,075,000	4,067,575	(7,425)
Building permits	207,000	196,828	(10,172)
Other	120,500	86,466	(34,034)
Total from licenses, permits, and fees	<u>4,402,500</u>	<u>4,350,869</u>	<u>(51,631)</u>
Intergovernmental:			
State:			
Shared revenues	98,555	98,555	-
Meals and rooms distribution	745,999	745,999	-
Highway block grant	347,794	347,273	(521)
Other	271,166	299,466	28,300
Federal:			
FEMA	-	56,043	56,043
Total from intergovernmental	<u>1,463,514</u>	<u>1,547,336</u>	<u>83,822</u>
Charges for services:			
Income from departments	<u>837,991</u>	<u>943,597</u>	<u>105,606</u>
Miscellaneous:			
Sale of municipal property	753	13,353	12,600
Interest on investments	110,000	120,353	10,353
Other	173,495	504,728	331,233
Total from miscellaneous	<u>284,248</u>	<u>638,434</u>	<u>354,186</u>
Other financing sources:			
Bond proceeds and premium on bonds issued	<u>2,846,500</u>	<u>2,805,000</u>	<u>(41,500)</u>
Total revenues and other financing sources	<u>17,744,129</u>	<u>\$ 18,264,683</u>	<u>\$ 520,554</u>
Unassigned fund balance used to reduce tax rate	790,360		
Total revenues, other financing sources, and use of fund balance	<u><u>\$ 18,534,489</u></u>		

SCHEDULE 2
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 3,330	\$ 3,015	\$ -	\$ 315
Election and registration	-	23,220	13,454	-	9,766
Financial administration	17,375	1,499,135	1,438,117	56,665	21,728
Revaluation of property	-	196,805	198,678	2,900	(4,773)
Legal	-	50,400	115,024	-	(64,624)
Planning and zoning	-	539,390	536,358	-	3,032
General government buildings	3,080	469,540	477,822	-	(5,202)
Cemeteries	6,200	41,450	35,632	6,200	5,818
Insurance, not otherwise allocated	-	372,285	350,191	-	22,094
Other	-	4,000	59,966	-	(55,966)
Total general government	<u>26,655</u>	<u>3,199,555</u>	<u>3,228,257</u>	<u>65,765</u>	<u>(67,812)</u>
Public safety:					
Police	30,270	3,385,300	3,423,827	-	(8,257)
Fire	1,047	3,791,825	3,630,077	-	162,795
Emergency management	-	6,670	8,148	-	(1,478)
Other	-	500,250	489,953	-	10,297
Total public safety	<u>31,317</u>	<u>7,684,045</u>	<u>7,552,005</u>	<u>-</u>	<u>163,357</u>
Highways and streets:					
Highways and streets	79,665	1,238,485	1,138,357	161,240	18,553
Street lighting	-	18,910	18,264	-	646
Total highways and streets	<u>79,665</u>	<u>1,257,395</u>	<u>1,156,621</u>	<u>161,240</u>	<u>19,199</u>
Sanitation:					
Solid waste disposal	-	1,048,790	1,057,482	-	(8,692)
Health:					
Health agencies	-	51,110	45,265	-	5,845
Welfare:					
Administration and direct assistance	-	40,540	47,254	-	(6,714)
Culture and recreation:					
Parks and recreation	24,432	242,990	251,822	22,430	(6,830)
Library	-	1,217,750	1,149,306	4,350	64,094
Other	-	147,995	119,620	10,360	18,015
Total culture and recreation	<u>24,432</u>	<u>1,608,735</u>	<u>1,520,748</u>	<u>37,140</u>	<u>75,279</u>
Conservation	-	6,910	4,166	-	2,744
Debt service:					
Principal of long-term debt	-	161,513	161,922	-	(409)
Interest on long-term debt	-	20,396	21,705	-	(1,309)
Interest on tax anticipation notes	-	500	-	-	500
Total debt service	-	182,409	183,627	-	(1,218)
Capital outlay	<u>81,519</u>	<u>3,330,000</u>	<u>3,392,351</u>	<u>114,150</u>	<u>(94,982)</u>
Other financing uses:					
Transfers out	-	125,000	206,798	-	(81,798)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 243,588</u>	<u>\$ 18,534,489</u>	<u>\$ 18,394,574</u>	<u>\$ 378,295</u>	<u>\$ 5,208</u>

SCHEDULE 3
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2019

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)	\$ 1,090,360
Changes:	
Unassigned fund balance used to reduce 2019 tax rate	(790,360)
2019 Budget summary:	
Revenue surplus (Schedule 1)	\$ 520,554
Unexpended balance of appropriations (Schedule 2)	<u>5,208</u>
2019 Budget surplus	525,762
Increase in abatement contingency	(65,000)
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)	<u>760,762</u>
<i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i>	
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis	(187,556)
Elimination of the allowance for uncollectible taxes	<u>75,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)	<u><u>\$ 648,206</u></u>

SCHEDULE 4
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue Funds								Total	
	Public	Cable	Public	Safety	Impact	Searles	Fire	Forest		
	Safety	and Health	Expendable							
ASSETS										
Cash and cash equivalents	\$ 76,485	\$ 13,694	\$ 360,187	\$ 440,679	\$ 6,376	\$ 2,009	\$ 51,089	\$ 950,519		
Accounts receivable	38,737	-	-	76,429	-	-	-	-	115,166	
Total assets	\$ 115,222	\$ 13,694	\$ 360,187	\$ 517,108	\$ 6,376	\$ 2,009	\$ 51,089	\$ 1,065,685		
FUND BALANCES										
Committed	\$ 115,222	\$ 13,694	\$ 25,978	\$ 517,108	\$ 6,376	\$ 2,009	\$ 51,089	\$ 731,476		
Assigned	-	-	334,209	-	-	-	-	-	334,209	
Total fund balances	\$ 115,222	\$ 13,694	\$ 360,187	\$ 517,108	\$ 6,376	\$ 2,009	\$ 51,089	\$ 1,065,685		

SCHEDULE 5
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2019

	Special Revenue Funds									
	Public Safety Detail	Cable and Health Expendable Revolving		Public Safety Impact Fees		Searles Fund	Fire Cistern	Forest Maintenance		
		Recreation	Revolving	Expendable	Impact					
REVENUES										
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ -	\$ 1,500		
Charges for services	200,165	75,406	-	-	-	-	-	-	275,571	
Miscellaneous	241	27	24,831	223,905	24,075	5	289	289	273,373	
Total revenues	200,406	75,433	24,831	223,905	24,075	1,505	289	289	550,444	
EXPENDITURES										
Current:										
General government	-	-	28,896	-	27,762	-	3,973	-	60,631	
Public safety	200,565	-	-	49,716	-	-	-	-	250,281	
Culture and recreation	-	70,595	-	-	-	-	-	-	70,595	
Debt service:										
Principal	-	-	-	32,862	-	-	-	-	32,862	
Total expenditures	200,565	70,595	28,896	82,578	27,762	-	3,973	-	414,369	
Net change in fund balances	(159)	4,838	(4,065)	141,327	(3,687)	1,505	(3,684)	-	136,075	
Fund balances, beginning	115,381	8,856	364,252	375,781	10,063	504	54,773	-	929,610	
Fund balances, ending	\$ 115,222	\$ 13,694	\$ 360,187	\$ 517,108	\$ 6,376	\$ 2,009	\$ 51,089	-	\$ 1,065,685	

SCHEDULE 6
TOWN OF WINDHAM, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2019

	Custodial Funds					Total
	Taxes	School Trust Funds	Impact Fees	Subdivision Fees	Road Bonds and Escrows	
ASSETS						
Cash and cash equivalents	\$ 20,424,121	\$ 1,080,692	\$ 305,618	\$ 65,442	\$ 611,433	\$ 22,487,306
Taxes receivable	<u>517,940</u>	-	-	-	-	<u>517,940</u>
Total assets	<u><u>\$ 20,942,061</u></u>	<u><u>\$ 1,080,692</u></u>	<u><u>\$ 305,618</u></u>	<u><u>\$ 65,442</u></u>	<u><u>\$ 611,433</u></u>	<u><u>\$ 23,005,246</u></u>
LIABILITIES						
Intergovernmental payables:						
School	\$ 20,942,061	\$ -	\$ -	\$ -	\$ -	\$ 20,942,061
NET POSITION						
Restricted	-	1,080,692	305,618	65,442	611,433	2,063,185
Total liabilities and net position	<u><u>\$ 20,942,061</u></u>	<u><u>\$ 1,080,692</u></u>	<u><u>\$ 305,618</u></u>	<u><u>\$ 65,442</u></u>	<u><u>\$ 611,433</u></u>	<u><u>\$ 23,005,246</u></u>

SCHEDULE 7
TOWN OF WINDHAM, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2019

	Custodial Funds							
	School Trust		Subdivision		Total			
	Taxes	Funds	Impact Fees	Fees	Road Bonds			
ADDITIONS								
Contributions	\$ -	\$ 100,000	\$ 337,123	\$ 35,676	\$ 22,382	\$ 495,181		
Investment earnings	- -	314	579	162	3,390	4,445		
Tax collections for other governments	<u>45,948,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,948,894</u>		
Total additions	<u>45,948,894</u>	<u>100,314</u>	<u>337,702</u>	<u>35,838</u>	<u>25,772</u>	<u>46,448,520</u>		
DEDUCTIONS								
Payments of taxes to other governments	45,948,894	- -	- -	- -	- -	45,948,894		
Payments to other governments	- -	33,500	380,831			414,331		
Payments for escrow purposes	- -	- -	- -	39,287	23,501	62,788		
Total deductions	<u>45,948,894</u>	<u>33,500</u>	<u>380,831</u>	<u>39,287</u>	<u>23,501</u>	<u>46,426,013</u>		
Change in net position	- -	66,814	(43,129)	(3,449)	2,271	22,507		
Net position, beginning, as restated (see Note 20)	- -	<u>1,013,878</u>	<u>348,747</u>	<u>68,891</u>	<u>609,162</u>	<u>2,040,678</u>		
Net position, ending	<u>\$ -</u>	<u>\$ 1,080,692</u>	<u>\$ 305,618</u>	<u>\$ 65,442</u>	<u>\$ 611,433</u>	<u>\$ 2,063,185</u>		



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY

To Management and the Board of Selectmen
Town of Windham
Windham, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Windham's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any issues that we consider to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Town of Windham's internal control to be a significant deficiency:

Balance Sheet Reconciliation and Special Revenue Fund Trial Balances

During our scheduled audit fieldwork, we identified several balance-sheet accounts, including cash, that were not properly reconciled throughout the year and at year-end. Additionally, trial balances for funds not maintained in the Town's general ledger accounting system, were not properly prepared and made available to the auditors. These issues caused significant delays in our audit firm's ability to perform their procedures and to complete fieldwork in a timely manner. Although most of these issues were resolved with proposed audit adjustments and other additional procedures, the general fund operating cash account still had an unresolved variance of approximately \$35,000 between the reconciled bank balance and the balance per general ledger. Based on the above, we recommend that all significant balance sheet accounts are reconciled on a monthly basis. Any differences between the expected balances and the balances per general ledger should be investigated in a timely manner, rather than addressed only at year-end. Additionally, we recommend that trial balances for all special revenue funds are prepared prior to audit fieldwork and made available to the auditors for testing. This can be accomplished by including the special revenue funds within the general ledger accounting system, or by creating trial balance spreadsheets based on the activity ledgers maintained for each fund.

This communication is intended solely for the information and use of management, Board of Selectmen, and others within the Town, and is not intended to be, and should not be, used by anyone other than those specified parties.